



Musgrave Group

Musgrave House,
Ballycurreen,
Airport Road, Cork,
Ireland. T12 TN99

T: +353 (0) 21 452 2100
E: group@musgrave.ie
musgravegroup.com

18th Aug 2021

His Excellency António Guterres
Secretary-General
United Nations
New York, NY 10017
USA

Musgrave Annual Global Compact Communication on Progress

Dear Secretary-General,

We are pleased to confirm that Musgrave is committed to continuing its support for the ten principles of the UN Global Compact in respect of human rights, labour rights, the protection of the environment and anti-corruption and to advancing them within our sphere of influence.

We are committed to continuing to make the Global Compact and its principles part of the strategy, culture and day-to-day operations of our company and undertake to continue to articulate our commitment - both to our employees, partners, clients and the public. We support public accountability and transparency and will publicly report on our progress in this regard.

Please find attached our Communication on Progress 2021, as well as the contact person responsible for communications with the office of the Global Compact.

Sincerely yours,

Noel Keeley
Group CEO



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Musgrave Annual Global Compact Communication on Progress

Dear Secretary-General,

Musgrave is one of Ireland's largest and most successful companies. We are a private family-owned business, founded in 1876 and headquartered in the city of Cork. Together with our retail partners, we support more than 1,450 local independently-owned retail stores and employ more than 45,000 people across 7 brands in the Republic of Ireland, Northern Ireland and Spain.

During 2021, despite the significant ongoing impact of the COVID-19 pandemic, we have continued to implement our sustainability strategy, which is underpinned by the United Nations Sustainable Development Goals and sets stretching commitments and targets designed to continuously improve our performance, to assist our retail partners in improving their sustainability performance and inspire consumers to live more sustainably.

We were also re-certified as a verified member of the Irish Food Board (Bord Bia) **Origin Green** sustainability programme and maintained certification under Business in the Community Ireland's **Business Working Responsibly Mark**.

We have been signatories to the UN Global Compact since May of 2004 and undertake to continue to respect and promote its ten principles. We attach our 2021 Communication on Progress for your attention. We will also communicate our COP to our stakeholders via our website.

Yours sincerely,

John Curran
Head of Sustainability

United Nations Global Compact

Musgrave Communication on Progress 2021

What is the UN Global Compact?

"The Global Compact asks companies to embrace universal principles and to partner with the United Nations. It has grown to become a critical platform for the UN to engage effectively with enlightened global business."

Former UN Secretary-General Ban Ki-moon unglobalcompact.org

The UN Global Compact is a strategic policy initiative for businesses that are committed to aligning their operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption.

By doing so, business, as a primary driver of globalisation, can help ensure that markets, commerce, technology and finance advance in ways that benefit economies and societies everywhere.

Musgrave: Committed to UN Global Compact

Musgrave has been a signatory to the Global Compact since 2004; we will continue our commitment to the ten principles, as set out in this Communication on Progress (COP) for 2021 and the accompanying statement of support.

Through the implementation of consistent policies and clear targets for every aspect of the business, as well as mechanisms to continuously measure and report performance, Musgrave is ensuring that the Global Compact forms a core part of our business strategy.

Communications

Our 2021 COP will be communicated to our stakeholders via our website musgravesustainability.com – where a wide range of information relating to our approach to sustainability can also be found.

Human Rights

Principles of the UN Global Compact

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and

Principle 2: make sure that they are not complicit in human rights abuses.

Actions

As a responsible organisation, Musgrave believes that we must ensure that the goods we source are produced in a sustainable way, in the context of potential impacts on the environment or societal impacts.

We underscored this commitment by signing up to the principles of the United Nations Global Compact in 2004, and we have publicly reported an annual Communication on Progress, under the terms of Global Compact, since that date.

Musgrave requires that the national laws and regulations of the country of employment are observed, but, as a minimum, that international human rights and labour law is applied.

Musgrave expects that people working for our suppliers will be treated fairly and with respect.

Musgrave is committed to ensuring that all of our supply chain stakeholders, regardless of where they live or work, are treated with respect and dignity and are able to live in an environment undamaged as a result of our business activity. We want to ensure that those with whom we trade share our principles, are committed to ensuring that the rights of all workers and human rights in general are protected.

Outcomes

The Musgrave *Ethical Trading Policy* was updated and revised in 2020 as part of the development of our current sustainability strategy and is also aligned with the UN Sustainable Development Goals. We ensure that all Musgrave own-brand products comply with our Ethical Trading Policy, and all suppliers are required to sign up to the principles of that policy. Since 2019, we have implemented an Anti-slavery & Human Trafficking Policy which is available on our website.

Management systems are in place to guarantee the provenance of the products we source and to manage ethical issues we identify within our supply chain. Codes of conduct are developed that inform and guide trading teams on ethical sourcing of all goods and services.

There have been no incidences of human rights violations associated with our operations.

Labour

Principles of the UN Global Compact

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4: the elimination of all forms of forced and compulsory labour;

Principle 5: the effective abolition of child labour; and

Principle 6: the elimination of discrimination in respect of employment and occupation.

Actions

The fair exchange of goods and services is increasingly an issue of concern to the modern consumer. We want everyone who deals with us, directly or indirectly, to be treated with respect and dignity.

We also want to ensure that Musgrave activities and the activities of our suppliers do not damage the environment.

To that end, we have made the following commitments, as part of our Ethical Trading Policy:

1. All Terms of Trading are fair and honest.
2. The rights of all workers and human rights in general are protected.
3. Workers have freedom of association and the right to collective bargaining.

4. Hours of work are in compliance with the laws of the country where workers are employed.
5. No forced or compulsory labour (bonded labour) will be used.
6. Child labour will not be used.
7. Discrimination in respect of employment and occupation will not be permitted.
8. Health, safety and welfare of employees are protected.
9. No goods will be sourced from oppressive regimes.
10. Measures are taken to prevent damage to the environment.
11. Corruption, including extortion and bribery will not be tolerated.

Outcomes

Musgrave conducts its business in accordance with traditional core values which include:

- Long term, stable relationships
- Not being greedy
- Honesty
- Working hard
- Achievement

All Musgrave divisions measure performance and report quarterly to the Head of Sustainability.

There have been no recorded incidences of discrimination, violations of freedom of association/collective bargaining, child labour or forced or compulsory labour.

As an example of our community involvement and commitment to good causes, the annual combined charitable and community support by our retail partners in SuperValu, Centra and Daybreak is recorded to be over €3.5 million.

Our support of independent businesses, and the communities they serve, helps build and sustain vibrant local economies through the multiplier effect: for every €1 spent at a local business, 45 cents is re-invested locally (this contrasts with a local re-investment of only 15 cents for every €1 spent at a corporate chain).

Most recent estimates show that our retail stores spend €350 million in local communities annually. Our 'Community Impact Study' shows this spend averages €6.0 million per week through a combination of payments to local suppliers, acquisition of local business services, wages, charitable donations and local sponsorships.

The study reveals that our stores source over €80 million worth of products, from over 3,800 local suppliers, and contribute €3.5 million in donations or sponsorship commitments to over 5,500 local charities, community groups, schools and sports clubs. As well as supporting local suppliers, our stores also spend an estimated €18 million in communities where its stores are located.

Musgrave is one of the country's leading employers with 45,000 people employed across its network of stores. On average, each one of our stores accounts for an additional 25 jobs in the local community.

Environment

Principles of the UN Global Compact

Principle 7: Businesses should support a precautionary approach to environmental challenges;

Principle 8: undertake initiatives to promote greater environmental responsibility; and

Principle 9: encourage the development and diffusion of environmentally friendly technologies.

Actions

Musgrave has long been a proponent of doing business sustainably; it was a natural progression that we should formalise our approach to environmental management and public reporting in the late 1990s.

We published our original Corporate Environmental Charter in 2000, which was a first for any Irish-based retail and distribution business.

Since then, our Environmental Social & Governance (ESG) and sustainability strategies have evolved and matured.

We have defined targets and reporting mechanisms for our operations and work closely with our retail partners to further our environmental goals as a business and at consumer level.

Musgrave has continuously expanded its operations over many years, however, our strong focus on ESG and sustainability programmes and initiatives aligned with the UN Sustainable Development Goals has meant that this growth has been achieved in parallel with reductions in environmental impacts.

The overall result of this effort has been that since 2006, we have more than halved our carbon footprint.

In 2020, we updated our '**Taking Care of our World**' sustainability strategy, which is aligned to the UN Sustainable Development Goals and which focuses on the following key areas:

1. Community

Leading a greener recovery by growing local economies and building back better.

2. Climate Action

Driving low carbon operations, changing how we work and supporting consumers to reduce their impacts.

3. Circular Economy

Tackling packaging reduction, especially plastics and eliminating waste.

4. Sourcing

Maintaining the highest sourcing standards, by trading ethically and sustainably and prioritising local supply.

Community

As a family-owned business, Musgrave supports other family businesses to serve communities right across Ireland as well as in the Levante Region of Spain.

In an era of unprecedented social and cultural change, communities need to evolve to survive. We know that our communities have an enduring passion for local life and that we and our retail partners play a big part in bringing people together to create vibrant communities with a sense of social cohesion.

This is why we and our Retail partners are at the centre of community life, looking after the social, environmental and economic needs of the communities we serve.

By leveraging our network of retailers, suppliers and food entrepreneurs, we help to bring communities to life and build a vibrant, sustainable society.

Our **Food Academy** programme for small businesses is designed to nurture and support artisan food entrepreneurs and give them the opportunity to develop and grow the businesses

Together with our retail partners we employ almost 40,000 people across the island of Ireland. If we multiply this by the thousands of people across our broader network – from producer to consumer – we can start to see the vast resource we have.

Every year our retail partners seek out and support hundreds of local sporting, social, cultural and charitable causes. An example is our ongoing support of the Tidy Towns programme, Ireland's largest community sustainability initiative, which assists communities to enhance their local and built environments and, through biodiversity projects, restore nature.

Our participation in the annual BITCI Business Impact Map enables us to quantify our impacts on local communities across Ireland and allows us to record the range and spread of the many activities and causes Musgrave supports directly or through the work of our employees.

In 2020 Musgrave made direct contributions of more than €1 million to over 150 community causes while colleagues gave over 3,000 volunteer hours in support of vital initiatives.

The impact on society, communities and individuals of the COVID-19 crisis has been enormous. We have spent much of the last year working at grassroots level to support our communities through the pandemic. While we've worked to protect our colleagues, customers and communities, as we emerge from the very worst of the pandemic, we are focusing on leading a greener recovery as we strive to re-build vibrant, sustainable local communities.

Climate Action

Our climate action strategies are designed to minimise the environmental and climate change impacts of our operations. We initially set ourselves the ambition of becoming net-zero carbon by 2050, through science-based targets (SBTs), however, it is likely that we will shorten this horizon to 2040 as we strive to decarbonise more quickly.

For almost 20 years we have operated energy monitoring and targeting systems to drive efficiency across our building estate and have supplied our facilities with 100% green electricity. We also leverage our expertise to help our retail partners and their customers to reduce their climate impacts.

We are also focused on minimising the impacts of our transport fleet through the electrification of company cars and smaller delivery vehicles and by using alternative fuels and technology for larger heavy goods vehicles. During 2020, we completed an assessment of our transport operations with the support of the Carbon Trust, the

information from which is now being used to inform our transport strategy.

The COVID-19 pandemic has resulted in more of our colleagues working remotely and this has reduced both business travel and commuting distances significantly. As we evolve our ways of working, it is likely that this move to agile remote working will continue to bring carbon reduction benefits.

Other carbon reduction initiatives include engaging with our suppliers on Scope 3 emissions.

We are also working to support consumers to reduce the transport - related carbon impacts of their shopping by promoting online and home deliveries.

Similarly, by promoting local suppliers we are reducing the embedded carbon in the goods we sell.

We are also developing more sustainable stores and rolling-out EV charging points as a way of encouraging consumers to make the switch to EVs.

Circular Economy

We continue to focus the conservation of resource and the prevention of waste at source as well as on maximising recycling by sending zero recoverable waste to landfill from our operations. We also leverage our expertise to help our retail partners and their customers to minimise their waste too.

We continue to minimise food waste through better handling and stock management procedures, as well as by designing our own brand packaging to prevent product damage or loss and extend shelf life. At the same time, we work with suppliers to optimise our own brand packaging so that it is fit-for-purpose.

We ensure that no food that is fit for Human consumption is wasted, but is used to alleviate food poverty through our support for food re-distribution charities. We aim to ensure that, by 2030 we halve our food surplus in line with UN Sustainable Development Goal 12.3 and support our retail and foodservice partners to access food re-distribution networks. Our focus also aims to ensure that product and packaging initiatives help our consumers to reduce food waste in the home.

Packing reduction and particularly plastics elimination continue to be significant areas of focus for us. We are working to ensure that we preserve the safety and quality of food, whilst minimising the impact of plastics on our environment.

We have committed to ensure that, by 2025, 100% of our own-brand, fresh produce and in-store packaging will be recyclable, re-usable, or compostable through a programme that will **eliminate** or **reduce** plastic materials where possible or **replace** them with more sustainable alternatives.

Sourcing

We aim to be the most trusted food operator across the island of Ireland known for the integrity of our supply chain from farm to fork. We do this by setting leading standards for sourcing; continuously raising the bar on transparency across our entire supply chain. We collaborate with government agencies, Bord Bia and Origin Green to ensure that 100% of our Irish meat and dairy are always in compliance with the highest standards of production.

100% of our SuperValu and Centra branded Irish meat and fresh produce is sourced from certified Origin Green suppliers

In 2020 we established a system to audit labour standards and the treatment of workers in our fresh and own-brand supply chains

We continue to increase the sales of small suppliers by 25%, supported by our Food Academy programmes in Retail and Food Service

We continuously improve the sustainability standards of our meat, fish and produce, taking account of environmental, biodiversity and livelihood factors.

As populations grow, we need to produce more food. On our small island, the same land space must continue to feed ever more people – and, over recent years, satisfy more demand for greater variety and quality of food. As a leading food business, we are aware of the need to retain the trust shoppers have that the food we sell is of the highest quality and has been produced and sourced to strict ethical, animal welfare and food safety standards. We are working to increase the transparency of the supply chain and to improve constantly and consistently sustainability standards, making it easier for consumers to trust the provenance and the quality of their food.

We only work with suppliers who take due care of their people and the environment in which they operate. Through our sourcing policies and supplier partnerships we deliver inspiring and innovative ranges to Irish consumers and support a thriving network of local producers and food businesses that are the bedrock of local economies.

As a leading food business, we have the ability and responsibility to positively impact the whole Irish food chain, from the prosperity of farming and traditional food production, to the quality of produce and the economic wealth of the industry. We can only do this by mobilising our whole network, from the large suppliers to the small artisan producers, from our retail partners to their store employees and the local people they serve. We seek out and promote Irish suppliers, but we need all producers to commit to continually raising their environmental, ethical and animal welfare standards to meet the expectations of today's shoppers.

Anti-corruption

Principles of the UN Global Compact

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

Actions

Musgrave is opposed to all forms of corruption, including extortion and bribery. Musgrave will not engage in such practices nor will it accept its suppliers engaging in corrupt activities.

In June 2014, Musgrave committed its support to the UNGC *Call to Action: Anti-Corruption and the Global Development Agenda*; an appeal by the private sector urging Governments to promote efficient and effective anti-corruption measures and to implement robust policies that will foster good governance.

By signing the *Call to Action*, we ask

Governments to:

- Fully implement and enforce the tenets of the UN Convention against Corruption by strengthening anti-corruption policies, laws and enforcement mechanisms to create a level playing field and incentivise good behaviour;
- Make a commitment to reduce corruption risks from procurement and contract processes of large-scale projects that are designed to support sustainable development;
- Commit to engaging in competitive and transparent procurement processes through public advertising of all Government procurement cases;

- Achieve greater transparency in relation to revenues received by Governments from private sector companies;
- Support corporate efforts to enhance anti-corruption implementation, corporate governance, innovative collective action, and public-private partnership initiatives.

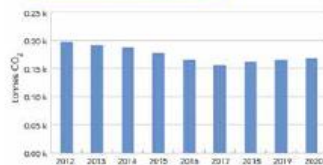
Outcomes

There have been no incidences of corruption in Musgrave.

Measuring Our Performance

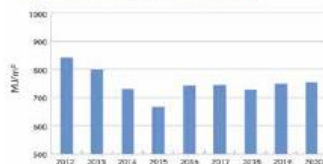
Sustainability KPIs

Carbon footprint per case



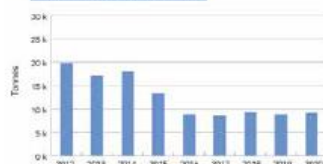
Despite significant increases in case volumes, emissions per case have reduced by 15% since 2012

Energy use in building per m²



Building energy remained flat despite increased case volumes and operations at depots and cash and carry sites

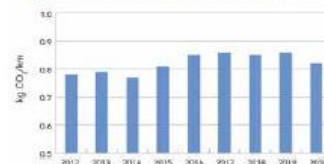
Total waste generation



Total waste remained flat despite significant increases in throughput

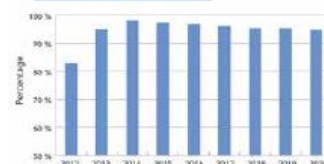


Fleet emissions per KM travelled



Despite increased distances, emissions per kilometre (and per case) reduced due to a combination of newer engines, route planning and more efficient driving

PC recycled/recovered



Recycling remained flat at 95%



UN SDG Champions

Musgrave is one of the Irish Government's SDG Champions – a role that gives us the opportunity to share experience and best practice in delivering positive change in relation to the UN Sustainable Development Goals.

Musgrave is one of 12 Irish companies and organisations to be chosen as an SDG Champion. Our Champion Goals are:



Musgrave achieves Gold Level in NI Environmental Benchmarking Survey

Achievements



1st retailer to introduce reusable, compostable shopping bags



50% of SuperValu stores run off green electricity generated from renewable resources



290 Food Academy producers

Community



Verified Origin Green Member



€6 million raised for Action Breast Cancer



€5 million raised since 2002



1,385,193 meals donated to Irish charities